

**BCLUW
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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BCLUW COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Shane Tiernan	President	2006
Scott Neff	Vice President	2006
Sharon Johnson		2005
Kristen Garber		2007
Dana LaMothe		2007
Heidi Strang		2007
Mary Morris		2005

(After September, 2005 Election)

Scott Neff	President	2006
Mary Morris	Vice President	2008
Sharon Johnson		2008
Kristen Garber		2007
Dana LaMothe		2007
Heidi Strang		2007
Shane Tiernan		2006

SCHOOL OFFICIALS

Mike Ashton	Superintendent
Paula Benson	District Secretary/ Treasurer

Independent Auditor's Report

To The Board of Education of the
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2006 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 32 thru 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW COMMUNITY SCHOOL DISTRICT

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,120,266 in fiscal 2005 to \$4,928,927 in fiscal 2006, while General Fund expenditures increased from \$4,867,295 in fiscal year 2005 to \$5,108,272 in fiscal 2006.
- The decrease in General Fund revenues was due to declining enrollment, fund balance not allowing us to levy cash reserve and the state continues to under fund the state aid portion of the instructional support levy. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, utilities and fuel increases and special education costs.
- The District preformed a number of building and repair projects to its facilities in order to keep them in optimal condition:

Remodeled the Family Consumer Science Room and the Computer Lab at the middle school due to a large donation.

Purchased a new 2006 E150 8 passenger van and a 2006 Taurus using the government fleet discount.

Purchased 2 emacs and 24 Ibook computers for our computer labs and we now have a mobile lab at the high school and elementary.

Built a storage shed on the football practice field by the Advance Construction class.

- A teaching position was created at the middle school for an "At Risk" teacher due to "No Child Left Behind".
- An additional 2nd grade teacher was hired to keep class size small.
- The District began receiving School Infrastructure Local Option Sales Tax from all resident counties beginning July 1, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.

- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
BCLUW Community School District

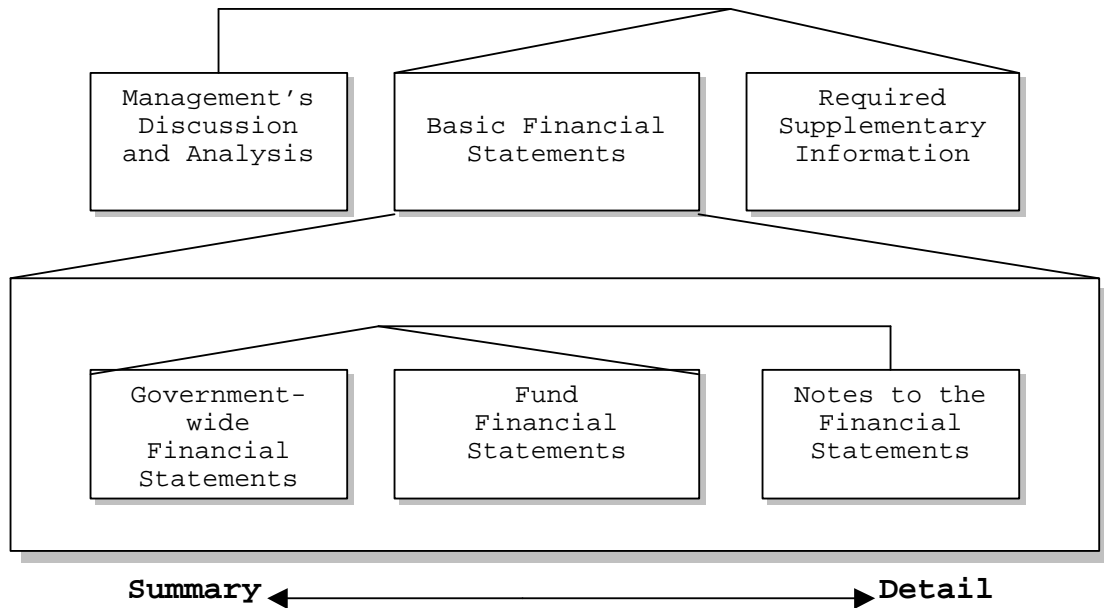


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	4,787	4,715	41	44	4,828	4,759	1.45%
Capital assets	6,044	6,179	21	25	6,065	6,204	-2.24%
Total assets	<u>10,831</u>	<u>10,894</u>	<u>62</u>	<u>69</u>	<u>10,893</u>	<u>10,963</u>	<u>-0.64%</u>
Current liabilities	2,984	2,851	-	-	2,984	2,851	4.67%
Non-current liabilities	3,727	3,936	-	-	3,727	3,936	-5.31%
Total liabilities	<u>6,711</u>	<u>6,787</u>	<u>-</u>	<u>-</u>	<u>6,711</u>	<u>6,787</u>	<u>-1.12%</u>
Net Assets							
Invested in capital assets, net of related debt	2,319	2,254	21	25	2,340	2,279	2.68%
Restricted	560	489	-	-	560	489	14.52%
Unrestricted	<u>1,241</u>	<u>1,364</u>	<u>41</u>	<u>44</u>	<u>1,282</u>	<u>1,408</u>	<u>-8.95%</u>
Total net assets	<u>4,120</u>	<u>4,107</u>	<u>62</u>	<u>69</u>	<u>4,182</u>	<u>4,176</u>	<u>0.14%</u>

The District's combined net assets were less than 1% greater at June 30, 2006 than June 30, 2005. The increase occurred as a combined result of increased capital project and special revenue fund balances that offset a decrease in the District's General Fund.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	285	451	190	184	475	635	-25.20%
Operating grants, contributions and interest	963	841	107	101	1,070	942	13.59%
General revenues:							
Property tax	2,310	2,447	-	-	2,310	2,447	-5.60%
Income surtax	344	269	-	-	344	269	27.88%
Local option sales tax	334	230	-	-	334	230	45.22%
Unrestricted state grants	1,969	2,011	-	-	1,969	2,011	-2.09%
Unrestricted investment earnings	49	30	-	-	49	30	63.33%
Other	33	22	-	-	33	22	50.00%
Total revenues	<u>6,287</u>	<u>6,301</u>	<u>297</u>	<u>285</u>	<u>6,584</u>	<u>6,586</u>	<u>-0.03%</u>
Program expenses:							
Governmental activities:							
Instruction	3,570	3,361	-	-	3,570	3,361	6.22%
Support Services	1,715	1,765	-	-	1,715	1,765	-2.83%
Non-instructional programs	7	1	304	286	311	287	8.36%
Other expenses	982	792	-	-	982	792	23.99%
Total expenses	<u>6,274</u>	<u>5,919</u>	<u>304</u>	<u>286</u>	<u>6,578</u>	<u>6,205</u>	<u>6.01%</u>
Change in net assets	<u>13</u>	<u>382</u>	<u>(7)</u>	<u>(1)</u>	<u>6</u>	<u>381</u>	<u>-98.43%</u>

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,287,457 and expenses were \$6,274,328.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2006	2005	2005-2006	2006	2005	2005-2006
	\$	\$		\$	\$	
Instruction	3,570	3,361	6.22%	2,539	2,338	8.60%
Support Services	1,715	1,765	-2.83%	1,708	1,681	1.61%
Non-instructional programs	7	1	600.00%	7	1	600.00%
Other expenses	<u>982</u>	<u>792</u>	<u>23.99%</u>	<u>773</u>	<u>608</u>	<u>27.14%</u>
Totals	<u>6,274</u>	<u>5,919</u>	<u>6.00%</u>	<u>5,027</u>	<u>4,628</u>	<u>8.62%</u>

- The cost financed by users of the District's programs was \$284,488.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$962,891.
- The net cost of governmental activities was financed with \$2,310,479 in property tax, \$1,969,054 in state foundation aid, and \$49,293 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$296,971 and expenses were \$303,708. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District held meal prices steady. Cash balance in the Nutrition Fund decreased by over \$4,000. The fund balance decreased primarily due to increased food costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted BCLUW Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,521,820, a seven percent decrease over last year's ending fund balances of \$1,631,133.

Governmental Fund Highlights

- The General Fund decreased by about \$180,000 as revenues decreased primarily in local taxes while expenses increased slightly.
- The District used PPEL Funds, Capital Projects, sales tax revenues and donations to complete a large number of building projects during the year.

Proprietary Fund Highlights

Cash balance decreased by over \$4,000 primarily as a result of increased food costs. Revenues increased slightly but not enough to cover increased expenses.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were \$94,165 greater than budgeted receipts, a variance of less than 1%. No significant variances occurred in any particular area.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$188,776.

The original cost of the District's capital assets was \$10,060,255. Governmental funds account for \$9,987,410, with the remainder of \$72,845 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	80	80	-	-	80	80	0.00%
Buildings	5,817	5,993	-	-	5,817	5,993	-2.94%
Furniture and equipment	147	106	21	25	168	131	28.24%
Totals	6,044	6,179	21	25	6,065	6,204	-2.24%

Long-Term Debt

At June 30, 2006, the District had \$3,725,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. Early retirement liability is all payable in the fiscal year ending June 30, 2006.

During the year ending June 30, 2006, the District refinanced its general obligation bonds. The original bonds had interest rates of 4.40% to 5.05%. The new bond issue has rates from 3.75% to 4.00%. Savings are estimated to be in excess of \$125,000.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2006	2005	2005-2006
	\$	\$	
General obligation bonds	3,725	3,925	-5.10%
Early retirement payable	<u>2</u>	<u>11</u>	<u>-81.82%</u>
Totals	<u>3,727</u>	<u>3,936</u>	<u>-5.31%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax that was passed will keep the District's facilities in good shape and new and safe vehicles for our students.
- The District has experienced declining enrollment the past several years.

Even with 4% allowable growth for 2005-2006, we saw no new money, due to the declining enrollment and with the budget guarantee being phased out, we will be forced to trim costs while maintaining a quality education for our students.

- Health insurance continues to increase each year and will soon be unattainable for many families.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District, "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34 to name a few.
- The School District has completed its fourth year of participation in the Lighthouse Study. The District has seen increased student achievement in reading and continues to focus on quality staff development.
- An application was made to the School Budget Review Committee (SBRC) to convert to GAAP Accounting retroactive of the 2004-2005 without adversely effecting our unspent balance (\$428,374).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Ashton, Superintendent, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

Basic Financial Statements

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,931,880	32,333	1,964,213
Receivables:			
Property tax:			
Current year	32,653	-	32,653
Succeeding year	2,438,145	-	2,438,145
Income surtax - succeeding year	296,000	-	296,000
Due from other governments	46,356	-	46,356
Other receivables	41,688	-	41,688
Inventories	-	8,942	8,942
Capital assets, net of accumulated depreciation	6,043,926	21,279	6,065,205
Total assets	10,830,648	62,554	10,893,202
Liabilities			
Accounts payable	3,657	-	3,657
Salaries and benefits payable	527,100	-	527,100
Accrued interest payable	14,837	-	14,837
Deferred revenue:			
Succeeding year property tax	2,438,145	-	2,438,145
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	235,000	-	235,000
Early retirement payable	2,180	-	2,180
Portion due after one year:			
General obligation bonds payable	3,490,000	-	3,490,000
Total liabilities	6,710,919	-	6,710,919
Net assets			
Invested in capital assets, net of related debt	2,318,926	21,279	2,340,205
Restricted for:			
Management levy	57,893	-	57,893
Student activities	138,425	-	138,425
Physical plant and equipment levy	96,581	-	96,581
Public education and recreation levy	6,590	-	6,590
Debt service	26,321	-	26,321
Capital projects	233,756	-	233,756
Unrestricted	1,241,237	41,275	1,282,512
Total net assets	4,119,729	62,554	4,182,283

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
	\$	\$	\$	\$	\$
Functions/Programs					
Governmental activities:					
Instruction:	3,569,636	284,488	746,281	(2,538,867)	-
Support services:					
Student services	83,931	-	-	(83,931)	-
Instructional staff services	182,949	-	-	(182,949)	-
Administration services	659,495	-	-	(659,495)	-
Operation and maintenance of plant services	530,856	-	7,246	(523,610)	-
Transportation services	258,198	-	-	(258,198)	-
	1,715,429	-	7,246	(1,708,183)	-
Non-instructional programs:					
Food service operations	7,362	-	-	(7,362)	-
Other expenditures:					
AEA flowthrough	180,550	-	180,550	-	-
Long-term debt interest	187,120	-	24,509	(162,611)	-
Long-term debt services	44,379	-	-	(44,379)	-
Facilities acquisition and construction	335,081	-	4,305	(330,776)	-
Depreciation (unallocated)*	234,771	-	-	(234,771)	-
	981,901	-	209,364	(772,537)	-
Total governmental activities	6,274,328	284,488	962,891	(5,026,949)	-

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business type activities:						
Non-instructional programs:						
Food service operations	303,708	189,577	107,394	-	(6,737)	(6,737)
Total	<u>6,578,036</u>	<u>474,065</u>	<u>1,070,285</u>	<u>(5,026,949)</u>	<u>(6,737)</u>	<u>(5,033,686)</u>
General revenues:						
Property tax levied for:						
General purposes				1,685,107	-	1,685,107
Management fund				129,955	-	129,955
Debt service				412,971	-	412,971
Capital outlay				59,208	-	59,208
Public education and recreation				23,238	-	23,238
Income surtax				344,256	-	344,256
Local option sales tax				334,313	-	334,313
Unrestricted state grants				1,969,054	-	1,969,054
Unrestricted investment earnings				49,293	-	49,293
Other				32,683	-	32,683
Total general revenue				<u>5,040,078</u>	<u>-</u>	<u>5,040,078</u>
Change in net assets				13,129	(6,737)	6,392
Net assets beginning of year				<u>4,106,600</u>	<u>69,291</u>	<u>4,175,891</u>
Net assets end of year				<u>4,119,729</u>	<u>62,554</u>	<u>4,182,283</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,390,009	35,470	209,907	296,494	1,931,880
Receivables:					
Property tax:					
Current year	23,970	5,688	-	2,995	32,653
Succeeding year	1,809,269	413,195	-	215,681	2,438,145
Income surtax - succeeding year	296,000	-	-	-	296,000
Due from other governments	22,507	-	23,849	-	46,356
Other receivables	41,688	-	-	-	41,688
Total assets	<u>3,583,443</u>	<u>454,353</u>	<u>233,756</u>	<u>515,170</u>	<u>4,786,722</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	3,657	-	-	-	3,657
Salaries and benefits payable	527,100	-	-	-	527,100
Deferred revenue:					
Succeeding year property tax	1,809,269	413,195	-	215,681	2,438,145
Succeeding year income surtax	296,000	-	-	-	296,000
Total liabilities	<u>2,636,026</u>	<u>413,195</u>	<u>-</u>	<u>215,681</u>	<u>3,264,902</u>
Fund balances:					
Reserved for debt service	-	41,158	-	-	41,158
Reserved for capital projects	-	-	233,756	-	233,756
Unreserved	947,417	-	-	299,489	1,246,906
Total fund balances	<u>947,417</u>	<u>41,158</u>	<u>233,756</u>	<u>299,489</u>	<u>1,521,820</u>
Total liabilities and fund balances	<u>3,583,443</u>	<u>454,353</u>	<u>233,756</u>	<u>515,170</u>	<u>4,786,722</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)	\$ 1,521,820
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	296,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,043,926
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(14,837)
Long-term liabilities, including bonds and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,727,180)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 4,119,729</u></u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,981,686	412,971	334,313	212,401	2,941,371
Tuition	260,390	-	-	-	260,390
Other	202,516	24,509	4,305	322,398	553,728
State sources	2,367,946	-	-	-	2,367,946
Federal sources	116,345	-	-	-	116,345
Total revenues	<u>4,928,883</u>	<u>437,480</u>	<u>338,618</u>	<u>534,799</u>	<u>6,239,780</u>
Expenditures:					
Current:					
Instruction	<u>3,233,668</u>	<u>-</u>	<u>-</u>	<u>344,861</u>	<u>3,578,529</u>
Support services:					
Student services	83,931	-	-	-	83,931
Instructional staff services	182,949	-	-	-	182,949
Administration services	641,715	-	-	17,780	659,495
Operation and maintenance of plant services	483,574	-	-	47,282	530,856
Transportation services	299,903	-	-	25,485	325,388
	<u>1,692,072</u>	<u>-</u>	<u>-</u>	<u>90,547</u>	<u>1,782,619</u>

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Expenditures (continued):					
Non-instructional programs:					
Food service operations	-	-	-	5,380	5,380
Community service operations	1,982	-	-	-	1,982
	<u>1,982</u>	<u>-</u>	<u>-</u>	<u>5,380</u>	<u>7,362</u>
Other expenditures:					
AEA flowthrough	180,550	-	-	-	180,550
Long-term debt:					
Principal	-	225,000	-	-	225,000
Interest	-	187,945	-	-	187,945
Services	-	19,379	-	-	19,379
Facilities acquisition and construction	-	-	287,649	80,060	367,709
	<u>180,550</u>	<u>432,324</u>	<u>287,649</u>	<u>80,060</u>	<u>980,583</u>
Total expenditures	<u>5,108,272</u>	<u>432,324</u>	<u>287,649</u>	<u>520,848</u>	<u>6,349,093</u>
Excess(deficiency) of revenues over(under) expenditures	(179,389)	5,156	50,969	13,951	(109,313)
Fund balances beginning of year	<u>1,126,806</u>	<u>36,002</u>	<u>182,787</u>	<u>285,538</u>	<u>1,631,133</u>
Fund balances end of year	<u>947,417</u>	<u>41,158</u>	<u>233,756</u>	<u>299,489</u>	<u>1,521,820</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (109,313)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 47,677

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	99,818	
Depreciation expense	<u>(234,771)</u>	
		(134,953)

During the fiscal year ending June 30, 2006, the District refinanced the existing general obligation bonds.

Amount of new bond issue	(3,240,000)	
Amount of debt defeased	<u>3,215,000</u>	
		(25,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 225,000

Payments of long-term liabilities decreases expenses in the Statement of Net Assets.

Early retirement		8,893
------------------	--	-------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 825

Change in net assets of governmental activities (Exhibit B) \$ 13,129

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>189,577</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	92,454
Benefits	14,178
Services	4,293
Supplies	189,013
Depreciation	<u>3,770</u>
Total operating expenses	<u>303,708</u>
Operating (loss)	<u>(114,131)</u>
Non-operating revenues:	
State sources	2,990
Federal sources	104,180
Interest income	<u>224</u>
	<u>107,394</u>
Net (loss)	(6,737)
Net assets beginning of year	<u>69,291</u>
Net assets end of year	<u><u>62,554</u></u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	189,577
Cash payments to employees for services	(92,454)
Cash payments to suppliers for goods or services	(190,069)
Net cash (used in) operating activities	<u>(92,946)</u>
Cash flows from non-capital financing activities:	
State grants received	2,990
Federal grants received	85,010
Net cash provided by non-capital financing activities	<u>88,000</u>
Cash flows from investing activities:	
Interest on investments	<u>224</u>
Net (decrease) in cash and cash equivalents	(4,722)
Cash and cash equivalents beginning of year	<u>37,055</u>
Cash and cash equivalents end of year	<u><u>32,333</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(114,131)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	3,770
Commodities used	19,170
(Increase) in inventory	(1,755)
	<u>(92,946)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>32,333</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$19,170.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union & Whitten, Iowa, and agricultural area in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, BCLUW Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. BCLUW Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Marshall County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional programs function exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) **Capital Assets**

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	80,000	-	-	80,000
Capital assets being depreciated:				
Buildings	9,010,196	-	-	9,010,196
Furniture and Equipment	797,396	99,818	-	897,214
Total capital assets being depreciated	9,807,592	99,818	-	9,907,410
Less accumulated depreciation for:				
Buildings	3,017,004	175,935	-	3,192,939
Furniture and Equipment	691,709	58,836	-	750,545
Total accumulated depreciation	3,708,713	234,771	-	3,943,484
Total capital assets being depreciated, net	6,098,879	(134,953)	-	5,963,926
Governmental activities, capital assets, net	6,178,879	(134,953)	-	6,043,926

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	72,845	0	-	72,845
Less accumulated depreciation	<u>47,796</u>	<u>3,770</u>	<u>-</u>	<u>51,566</u>
Business type activities capital assets, net	<u>25,049</u>	<u>(3,770)</u>	<u>-</u>	<u>21,279</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

234,771

Business Type activities:

Food service operations

3,770

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$177,256, \$170,724, and \$168,949 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$180,550 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(6) Risk Management

BCLUW Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Bond Defeasance

During the year ending June 30, 2006, the District refinanced its outstanding general obligation bonds. Proceeds of the refinancing are currently invested and held by a trustee. They will be used in fiscal year 2008 to pay off \$3,215,000 of existing bonds that will be callable at that time. Total savings from the refinancing are estimated to be \$125,847.

Required Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,755,489	189,801	3,945,290	3,863,477	3,863,477	81,813
State sources	2,367,946	2,990	2,370,936	2,383,609	2,383,609	(12,673)
Federal sources	116,345	104,180	220,525	195,500	195,500	25,025
Total revenues	<u>6,239,780</u>	<u>296,971</u>	<u>6,536,751</u>	<u>6,442,586</u>	<u>6,442,586</u>	<u>94,165</u>
Expenditures:						
Instruction	3,578,529	-	3,578,529	3,742,400	3,742,400	163,871
Support services	1,782,619	-	1,782,619	1,689,187	1,800,000	17,381
Non-instructional programs	7,362	303,708	311,070	279,200	279,200	(31,870)
Other expenditures	980,583	-	980,583	959,070	1,289,000	308,417
Total expenditures	<u>6,349,093</u>	<u>303,708</u>	<u>6,652,801</u>	<u>6,669,857</u>	<u>7,110,600</u>	<u>457,799</u>
Excess (deficiency) of revenues over (under) expenditures	(109,313)	(6,737)	(116,050)	(227,271)	(668,014)	551,964
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(109,313)	(6,737)	(116,050)	(227,271)	(668,014)	551,964
Balance beginning of year	<u>1,631,133</u>	<u>69,291</u>	<u>1,700,424</u>	<u>2,198,064</u>	<u>1,560,983</u>	<u>139,441</u>
Balance end of year	<u>1,521,820</u>	<u>62,554</u>	<u>1,584,374</u>	<u>1,970,793</u>	<u>892,969</u>	<u>691,405</u>

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$440,743.

During the year ended June 30, 2006, expenditures in the non-instructional programs function exceeded the amount budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Management	Student	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	56,044	138,425	95,766	6,259	296,494
Property tax receivable:					
Current year	1,849	-	815	331	2,995
Succeeding year	<u>130,000</u>	<u>-</u>	<u>61,474</u>	<u>24,207</u>	<u>215,681</u>
Total assets	<u><u>187,893</u></u>	<u><u>138,425</u></u>	<u><u>158,055</u></u>	<u><u>30,797</u></u>	<u><u>515,170</u></u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	<u>130,000</u>	<u>-</u>	<u>61,474</u>	<u>24,207</u>	<u>215,681</u>
	<u>130,000</u>	<u>-</u>	<u>61,474</u>	<u>24,207</u>	<u>215,681</u>
Unreserved fund balances	<u>57,893</u>	<u>138,425</u>	<u>96,581</u>	<u>6,590</u>	<u>299,489</u>
	<u>57,893</u>	<u>138,425</u>	<u>96,581</u>	<u>6,590</u>	<u>299,489</u>
Total liabilities and fund balances	<u><u>187,893</u></u>	<u><u>138,425</u></u>	<u><u>158,055</u></u>	<u><u>30,797</u></u>	<u><u>515,170</u></u>

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	129,955	-	59,208	23,238	212,401
Other	6,057	315,122	1,189	30	322,398
Total revenues	136,012	315,122	60,397	23,268	534,799
Expenditures:					
Instruction	16,916	310,581	-	17,364	344,861
Support services:					
Administration services	17,780	-	-	-	17,780
Plant operation and maintenance	39,593	-	-	7,689	47,282
Student transportation	25,485	-	-	-	25,485
Non-instructional programs:					
Food service operations	5,380	-	-	-	5,380
Other expenditures:					
Facility acquisition and construction services	-	-	80,060	-	80,060
Total expenditures	105,154	310,581	80,060	25,053	520,848
Excess (deficiency) of revenues over (under) expenditures	30,858	4,541	(19,663)	(1,785)	13,951
Fund balances beginning of year	27,035	133,884	116,244	8,375	285,538
Fund balances end of year	57,893	138,425	96,581	6,590	299,489

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama/Thespians	7,244	1,852	1,327	7,769
Speech	519	-	289	230
Vocal Music	3,319	4,532	4,343	3,508
Band	366	1,473	1,819	20
Middle School Instrumental	65	707	739	33
Class of 2009	-	130	125	5
HS Mathletes	-	675	427	248
Athletic	(401)	94,576	87,571	6,604
Talented and Gifted MS	1,497	8,910	9,407	1,000
Class of 2006	7,271	-	7,271	-
Cheerleaders	1,771	3,284	3,986	1,069
Woodcraft Corporation	233	-	233	-
MS Theme Day	89	835	888	36
Class of 2007	6,916	15,507	17,858	4,565
Middle School Vocal Music	525	1,259	881	903
Elementary Activities	14,687	2,751	1,530	15,908
Parent/Educator Partnership	11,197	38,754	49,280	671
Chess Club	282	-	-	282
FCCLA	815	853	391	1,277
Foreign Students	640	-	-	640
Technology Club	565	-	813	(248)
Comet Café	2,227	3,465	2,723	2,969
Library Club	1,137	6,596	6,896	837
Electrathon	134	-	130	4
Interest	14,095	5,578	7,796	11,877
Letterwinners	8,741	18,358	17,834	9,265
Little League	1,426	4,926	5,219	1,133
Yearbook 2005	10,457	1,825	12,282	-
National Art Honor Society	456	-	156	300
MS Athletic	4,302	17,214	8,808	12,708
Class of 2008	67	12,095	8,169	3,993
MS Conflict Managers	121	-	-	121
National Honor Society	1,079	896	270	1,705
Padlock	289	272	-	561
Student Council	3,715	5,735	7,105	2,345
Summer Concessions	9,566	23,252	18,969	13,849
High School Activities	7,000	4,295	4,161	7,134
Yearbook 2006	-	29,491	15,559	13,932
STOPP	51	-	-	51
MS Activities	11,421	5,026	5,326	11,121
Total	133,884	315,122	310,581	138,425

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
General	1,981,686	2,104,745	2,070,347	2,112,348
Capital projects	334,313	230,541	-	-
Special revenue/debt service	625,372	610,441	736,472	719,878
	<u>2,941,371</u>	<u>2,945,727</u>	<u>2,806,819</u>	<u>2,832,226</u>
State sources:				
General	<u>2,367,946</u>	<u>2,369,727</u>	<u>2,180,190</u>	<u>2,264,328</u>
Federal sources:				
General	<u>116,345</u>	<u>119,713</u>	<u>131,944</u>	<u>119,551</u>
Total	<u>5,425,662</u>	<u>5,435,167</u>	<u>5,118,953</u>	<u>5,216,105</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the BCLUW Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BCLUW Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of BCLUW Community School District and other parties to whom BCLUW Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 3, 2006

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, exceeded the amended certified budget amounts in the non-instructional programs function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

06-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 06-II-E Business Transactions - No business transactions between the District and District officials or employees.
- 06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-II-G Board Minutes - We noted no transactions requiring Board approval, which had not been approved by the Board.
- 06-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 06-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.